LEKWA TEEMANE LOCAL MUNICIPALITY
Annual Financial Statements
for the year ended 30 June 2017

General Information

Nature of business and principal activities	Provincial of municipal services in terms of the Municipal Finance Management Act No.56 of 2003 and Municipal Systems Act No. 32 of 2000.
Mayoral committee	
	Councillor: K. Palagangwe
Councillors	Councillor: L.W Tshweu
	Councillor: M Majikela
	Councillor: K.L Duiker
	Councillor: J Joseph
	Councillor: M.M Pilane
	Councillor: T Gerber
	Councillor: G. Pencil
	Councillor: M.W Mseswa
	Councillor: P.G Modise
	Councillor: S.K Majahe
	Councillor: M.J Moselane
	Councillor: S Fortuin
	Councillor: L.M Segola
	Councillor: K.L Duiker
	Councillor: J.M Dabampe
	Councillor: E Van Biljon
Grading of local authority	Grade 3
Accounting Officer	Mr M Ratlhogo
Chief Finance Officer (CFO)	Mr K Kumbe
Registered office	Cnr Robyn & Dirkie Uys Street Christiana 2680
Business address	Cnr Robyn & Dirkie Uys Street Christiana 2680
Postal address	P.O Box 13 Christiana 2680
Bankers	ABSA
Auditors	Auditor's/Accountant's name Registered Auditors
Attorneys	Lizel Venter Attorneys

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The reports and statements set out below comprise the annual financial statements presented to the Lekwa-Teemane Local Municipality's Council:

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSIG	Municipal System Improvement Grant
CoGTA	Department of Co-operative Government & Traditional Affairs

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2018 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is dependent on five services that generate revenue namely rates, water, electricity refuse and sanitations. it also get equitable share from the government, which constitutes about 20% of its total income. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Lekwa Teemane Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented based on their review4.

The annual financial statements set out on page 8 to 85, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2017.

Accounting Officer
Mr Mokgatlhe Ratlhogo

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2017.

1. Review of activities

Main business and operations

Proportion of income and loss attributable to various classes of business:

2017

Classes of business	Proportion of contribution to income before tax	Amount
Service Charges	53 %	152 852 994
Property Rates	5 %	15 697 415
Grants and Subsidies	30 %	81 629 460
Traffic Fines	1 %	14 528 360
Rental facilities	1 %	786 479
Other Income	10 %	30 032 019

2016

Classes of business	Proportion of contribution to income before tax	Amount
Service Charges	48 %	117 401 046
Property Rates	5 %	11 987 738
Grants and Subsidies	26 %	63 148 075
Traffic Fines	7 %	18 985 200
Rental facilities	1 %	830 968
Other Income	12 %	24 550 613

2. Going concern

We draw attention to the fact that at 30 June 2017, the municipality had surplus of R 86 958 561 and deficit (2016: R 14, 727,763) and that the municipality's total liabilities exceed its assets by R 191 300 770 (2016: R230, 999,906).

The municipality has a going concern challange. However the annual finanancial statements have been prepared on the basis of accounting policies applicable to a goingcpncern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. Thus the municipality's ability to continue as a going concern is dependent on the fact that, inter alia, the accounting officer continue to procure both internal and external funding for the ongoing operations ofthe municipality.

3. Accounting Officer's interest in contracts

The municipality has a policy relating to declaration of interest in contracts and other related transactions. This was adhered to in that relevant officials with interest in SCM related transactions declared (both potential and existing) declared their interests.

4. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Recognised Accounting Practices (GRAP), issued by the Accounting Standards Board as the prescribed framework by National Treasury, including any interpretation and directives.

Accounting Officer's Report

5. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The accounting officer discuss the responsibilities of management in this respect, at Council meetings and monitor the municipality's compliance with the code on a regular basis.

Council

The Council:
- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;

Remuneration

The upper limits of the remuneration of the Councillors of the municipality, are determined in terms of the Government Notices issued by the Minister of Co-operative Government and Traditional Affairs, as required of him by the Remunerations of Public Office Bearers Act No. 20 of 1998.

Committee meetings

The accounting officer meet on a -regular basis with the Mayor and Chairpersons of Portfolio Committee.

Portfolio Committee Chairpersons have access to all members of management (Section 56 Managers) of the municipality.

Audit and risk committee

The Chairperson of the audit committee is an independent audit committee member. The committee met on a regular basis during the financial year to review metters necessary to fulfil its role.

In terms of Section 166 of the Municipal Finance Management Act, Lekwa Teemane, must appoint members of the shared Audit Committee. Thus more information with regards to the composition of the shared audit committee. Its operations and sub-committees should be covered in the district municipality's annual financial statements.

Internal audit

The municipality has a shared internal audit function based at the district municipality (as highjlighted above). This is in compliance with the municipality Finance Management Act, 2003, as it is a permitted arrangement.

6. Interest in controlled entities

Name of controlled entity	Country of incorporation if not the RSA	Net Asset
Lekwa Teemane Development Agency (Pty)Ltd		205 648 350

The controlled entities is current in the Establishment Phase. Major operations will commence as soon as the Establishment Phase is complete. However, engagements with the various stakeholders (for various transactions relating to the Agency's operations) are taking place.

Details of the municipality's investment in controlled entities are set out in note 77.

7. Bankers

The municipality's bankers did not change during the year under reveiwe.

Accounting Officer's Report

8. Auditors

Auditor's/Accountant's name will continue in office for the next financial period.

Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016
Assets			
Current Assets			
Inventories	12	104 746	99 131
Other financial assets	8	2 921 011	64 633
Traffic Fines receivables	9	3 779 210	3 717 160
Receivables from exchange transactions	13	919 463	775 559
Receivables from non-exchange transactions	14	100 686 980	1 100 799
Consumer debtors	16	3 318 252	21 209 919
Money Market Investment	11	617 517	617 517
Cash and cash equivalents	17	3 652 544	-
		115 999 723	**27 584 718**
Non-Current Assets			
Investment property	3	26 519 584	26 321 836
Property, plant and equipment	4	365 665 735	340 438 766
Intangible assets	5	254 278	363 688
Heritage assets	6	170 000	170 000
Investments in controlled entities	7	20 100	20 100
Other financial assets	8	48 000	-
Long term debtors		7 563 899	5 110 954
		400 241 596	**372 425 344**
Total Assets		**516 241 319**	**400 010 062**
Liabilities			
Current Liabilities			
Other financial liabilities	20	3 000 000	5 719 415
Finance lease obligation	18	-	1 431 373
Payables from exchange transactions	22	269 664 345	241 720 635
VAT payable	24	1 706 469	6 003 639
Consumer deposits	25	1 294 300	1 183 074
Employee benefit obligation	10	-	765 000
Unspent conditional grants and receipts	19	2 263 715	600 000
Provisions	21	-	357 000
Bank overdraft	17	-	278 014
		277 928 829	**258 058 150**
Non-Current Liabilities			
Finance lease obligation	18	2 375 089	943 716
Employee benefit obligation	10	32 873 839	23 941 000
Unspent conditional grants and receipts	19	600 000	-
Provisions	21	11 162 785	10 378 201
		47 011 713	**35 262 917**
Total Liabilities		**324 940 542**	**293 321 067**
Net Assets		**191 300 777**	**106 688 995**
Accumulated surplus		191 300 770	106 778 787

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016
Revenue			
Revenue from exchange transactions			
Service charges	27	152 852 578	117 401 046
Rental of facilities and equipment		786 479	830 968
Interest received on debtors		30 032 019	24 550 613
Licences and permits		1 908 722	1 610 761
Recoveries		5 719 415	-
Fair Value Adjustment		5 901 355	443 876
Sundry Income		625 373	1 950 552
Insurance Claims		-	118 109
Interest received - investment		14 426	299 414
Total revenue from exchange transactions		**197 840 367**	**147 205 339**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	29	15 697 415	11 987 738
Transfer revenue			
Government grants & subsidies	30	81 629 460	63 148 075
Traffic Fines		14 528 360	18 985 200
Donations Received		98 706	1 196 700
Total revenue from non-exchange transactions		**111 953 941**	**95 317 713**
Total revenue	26	**309 794 308**	**242 523 052**
Expenditure			
Employee related costs	31	(60 390 182)	(48 254 354)
Remuneration of councillors	32	(4 720 647)	(4 394 496)
Depreciation and amortisation	33	(17 172 591)	(17 959 914)
Finance costs	34	(4 989 080)	(8 926 686)
Debt Impairment	35	(13 603 780)	(55 741 604)
Repairs and maintenance		(2 672 196)	(3 134 206)
Bulk purchases	36	(65 835 420)	(63 829 429)
Contracted services	37	(12 748 144)	(6 086 216)
Loss on disposal		-	(4 946 135)
General Expenses	38	(40 703 708)	(44 022 776)
Total expenditure		**(222 835 748)**	**(257 295 816)**
Operating surplus (deficit)		**86 958 560**	**(14 772 764)**
Surplus (deficit) for the year		**86 958 560**	**(14 772 764)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2015	**121 551 551**	**121 551 551**
Changes in net assets		
Surplus for the year	(14 772 764)	(14 772 764)
Total changes	(14 772 764)	(14 772 764)
Balance at 01 July 2016	**104 342 210**	**104 342 210**
Changes in net assets		
Surplus for the year	86 958 560	86 958 560
Total changes	86 958 560	86 958 560
Balance at 30 June 2017	**191 300 770**	**191 300 770**

Note(s)

The adjustment mainly relates tos 16 to 49Propert, Plant and Equipments 50 to 80 as a result of previously recognised asset that could not be verified at year end see note 46 for more detail.

Cash Flow Statement

Figures in Rand	Note(s)	2017	2016
Cash flows from operating activities			
Receipts			
Receipts from customers		168 900 715	158 654 134
Grants		66 702 770	56 964 000
Investment income		14 426	299 414
		235 617 911	215 917 548
Payments			
Employee costs		(60 905 724)	(51 930 387)
Suppliers		(114 379 819)	(149 132 389)
Finance costs		(4 989 080)	(8 926 686)
Other payments		1 560 734	-
		(178 713 889)	(209 989 462)
Net cash flows from operating activities	40	**56 904 022**	**5 928 086**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(45 089 038)	(25 576 289)
Proceeds from sale of property, plant and equipment	4	2 373 928	4 277 682
Purchase of other intangible assets	5	(41 253)	(15 609)
Proceeds from sale of financial assets		(2 904 378)	5 671
Purchase of money market investment		-	(3 025 429)
Purchase of long term debtors		(2 452 945)	-
Proceeds from sale of money market invest		-	1 101 809
Repayment of loan		-	(4 174 628)
Net cash flows from investing activities		**(48 113 686)**	**(27 406 793)**
Cash flows from financing activities			
Repayment of other financial liabilities		(2 719 415)	-
Finance lease payments		-	(700 531)
Finance lease receipts		(62 050)	-
Net cash flows from financing activities		**(2 781 465)**	**(700 531)**
Net increase/(decrease) in cash and cash equivalents		**6 008 871**	**(22 179 238)**
Cash and cash equivalents at the beginning of the year		(278 014)	(389 303)
Cash and cash equivalents at the end of the year	17	**5 730 857**	**(22 568 541)**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	140 505 758	-	**140 505 758**	152 852 578	**12 346 820**	Due to annual percentage charge increases. New household were completed during the year.
Rental of facilities and equipment	603 394	-	**603 394**	786 479	**183 085**	Due to some buliding has been sold out by the municiplaity.
Interest on Debtors	27 635 956	-	**27 635 956**	30 032 019	**2 396 063**	The non-payments behaviour by consumers increased significantly resulting in hikes in interest charges.
Licences and permits	2 090 000	-	**2 090 000**	1 908 722	**(181 278)**	The variance was mainly cuased by the licence department not settling Provincial account
Licenes and Permits	-	-	**-**	5 719 415	**5 719 415**	
Fair Value adjustment	-	-	**-**	5 901 355	**5 901 355**	The value of land file sites has increase
Sundry Income	1 058 545	-	**1 058 545**	625 373	**(433 172)**	Sundry activities were reduced to focus on service delivery
Interest received - investment	29 342	-	**29 342**	14 426	**(14 916)**	The variances due decline in cash management
Total revenue from exchange transactions	**171 922 995**	**-**	**171 922 995**	**197 840 367**	**25 917 372**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	19 080 000	-	**19 080 000**	15 697 415	**(3 382 585)**	Differences is due to incotrrect billing
Transfer revenue						
Government grants & subsidies	83 087 000	-	**83 087 000**	81 629 460	**(1 457 540)**	Difference to withdrawal of MSIG
Fines, Penalties and Forfeits	34 000 500	-	**34 000 500**	14 528 360	**(19 472 140)**	Collected fines were less than anticipated due to increased public awareness of cameras
Donation Received	-	-	**-**	98 706	**98 706**	
Total revenue from non-exchange transactions	**136 167 500**	**-**	**136 167 500**	**111 953 941**	**(24 213 559)**	
Total revenue	**308 090 495**	**-**	**308 090 495**	**309 794 308**	**1 703 813**	
Expenditure						
Personnel	(59 156 527)	-	**(59 156 527)**	(60 390 182)	**(1 233 655)**	Due to vacants posts and general salary increment as approved by SALGA.
Remuneration of councillors	(4 708 001)	-	**(4 708 001)**	(4 720 647)	**(12 646)**	Acceptable variances
Depreciation and amortisation	(20 500 362)	-	**(20 500 362)**	(17 172 591)	**3 327 771**	Due decreased compared to prior year due to disposal of asset and asset full depreciated
Finance costs	(1 611 350)	-	**(1 611 350)**	(4 989 080)	**(3 377 730)**	Varienace due interest charged on late payment
Debt Impairment	(64 000 000)	-	**(64 000 000)**	(13 603 780)	**50 396 220**	Variance due to an error in posting Consumer debtors provision

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Repairs and maintenance	(8 551 844)	-	**(8 551 844)**	(2 672 196)	**5 879 648**	Regular replacement of electric panal and maintenance o motor vehicle.
Bulk purchases	(86 102 806)	-	**(86 102 806)**	(65 835 420)	**20 267 386**	The purchases were significantly less than anticipated due to distribution losses.
Contracted Services	(11 619 392)	-	**(11 619 392)**	(12 748 144)	**(1 128 752)**	Improved contract management and cashflow
General Expenses	(46 252 257)	-	**(46 252 257)**	(40 703 708)	**5 548 549**	Differenc is due to improves cost managemenr and cash management
Total expenditure	**(302 502 539)**	**-**	**(302 502 539)**	**(222 835 748)**	**79 666 791**	
Surplus before taxation	**5 587 956**	**-**	**5 587 956**	**86 958 560**	**81 370 604**	
Surplus for the year from continuing operations	**5 587 956**	**-**	**5 587 956**	**86 958 560**	**81 370 604**	
Capital Expenditure	(40 346 371)	-	**(40 346 371)**	-	**40 346 371**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(34 758 415)**	**-**	**(34 758 415)**	**86 958 560**	**121 716 975**	

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2017											
Financial Performance											
Property rates	19 080 000	-	19 080 000	-		19 080 000	15 697 415		(3 382 585)	82 %	82 %
Service charges	140 505 758	-	140 505 758	-		140 505 758	152 852 578		12 346 820	109 %	109 %
Investment revenue	29 342	-	29 342	-		29 342	14 426		(14 916)	49 %	49 %
Transfers recognised - operational	42 470 000	-	42 470 000	-		42 470 000	42 842 703		372 703	101 %	101 %
Other own revenue	69 296 395	-	69 296 395	-		69 296 395	59 600 429		(9 695 966)	86 %	86 %
Total revenue (excluding capital transfers and contributions)	**271 381 495**	**-**	**271 381 495**	**-**		**271 381 495**	**271 007 551**		**(373 944)**	**100 %**	**100 %**
Employee costs	(59 156 527)	-	(59 156 527)	-	-	(59 156 527)	(60 390 182)	-	(1 233 655)	102 %	102 %
Remuneration of councillors	(4 708 001)	-	(4 708 001)	-	-	(4 708 001)	(4 720 647)	-	(12 646)	100 %	100 %
Debt impairment	(64 000 000)	-	(64 000 000)			(64 000 000)	(13 603 780)	-	50 396 220	21 %	21 %
Depreciation and asset impairment	(20 500 362)	-	(20 500 362)			(20 500 362)	(17 172 591)	-	3 327 771	84 %	84 %
Finance charges	(1 611 350)	-	(1 611 350)	-	-	(1 611 350)	(4 989 080)	-	(3 377 730)	310 %	310 %
Materials and bulk purchases	(86 102 806)	-	(86 102 806)	-	-	(86 102 806)	(65 835 420)	-	20 267 386	76 %	76 %
Other expenditure	(68 222 356)	-	(68 222 356)	-	-	(68 222 356)	(56 124 048)	-	12 098 308	82 %	82 %
Total expenditure	**(304 301 402)**	**-**	**(304 301 402)**	**-**	**-**	**(304 301 402)**	**(222 835 748)**	**-**	**81 465 654**	**73 %**	**73 %**
Surplus/(Deficit)	**(32 919 907)**	**-**	**(32 919 907)**	**-**		**(32 919 907)**	**48 171 803**		**81 091 710**	**(146)%**	**(146)%**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	40 617 000	-	40 617 000	-		40 617 000	38 786 757		(1 830 243)	95 %	95 %
Surplus (Deficit) after capital transfers and contributions	**7 697 093**	**-**	**7 697 093**	**-**		**7 697 093**	**86 958 560**		**79 261 467**	**1 130 %**	**1 130 %**
Surplus/(Deficit) for the year	**7 697 093**	**-**	**7 697 093**	**-**		**7 697 093**	**86 958 560**		**79 261 467**	**1 130 %**	**1 130 %**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Statements and Interpretations Not Yet Effected

GRAP Standard

At the date of authorisation of these Annual Financial Statements, the following standards and interpretations were in issue but not yet effective and have not been early adopted by the municipality:
- GRAP 2 - Service concession arrangements grantor;
- GRAP 20 - Related Party Disclosures;
- GRAP 108 - Statutory receivables;
- GRAP 109 - Accounting by principals and agents.

The forgoing standards are not yet effected as the Minister of Finance hasnot yet determined the effective dates.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which tehr estimates is revised, if the revision affects only that period or in the period of the revision and futrure periods if the revision affects both the current and future periods..

In the process of applying the municipality's policies, management has made the following significant accounting judgements, estimates and assumptions, which has the most significant effect on the amounts recognised in the annual financial statements and these are consistent with the previous period.

Impairment of Trade and other receivables

The municipality assesses its trade and other receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. The calculation is primarily based on the collection rate of the amount due per individual debtor, as required by GRAP Standard.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Available-for-sale financial assets

The municipality follows the guidance of GRAP Standard to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the municipality evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

Impairment testing

The municipality tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including supply demand, together with economic factors such as [list economic factors such as interest and inflation rates].

Provisions and contingent liabilities

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 21 - Provisions.

Post retirement medical aid benefits

The cost of post retirement medical aid benefits is determined using actuarial valuations. The actiuarial valuation involves making assumptions about discount rates, expected rates of return on assets future salary increases, mortality rates and future pension increases. Due to long-term nature of these plans, such estimates are subject to signiaficant uncertainty. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

Additional information is disclosed in Note 10.

Effective interest rate

The municipality uses the prime interest rate plus a reasonable adjustment to discount future cash flows. where necessary.

In addition to this, where Investment Certificates were not received, management estimated the amount of interest due or earned on the investment, based on the available data.

Classification as investment property

The municipality regulary reviews its property portolio and determine which items of land and buildings are held to earn rental revenue or for capital appreciation. Land and building fulfilling these requirements have been classified as investment property, whilst the remainder of the portfolio have either been classified as property, plant and equipment or inventory depending on management's intention in dealing with these properties

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Depreciation and Carrying Valuie of items of Property, Plant and Equipment

The estimation of useful lives of assets is based on management's judgement. Management considers the impact of technology, availability of capital funding, service requirements and /or required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to thge end of the useful lives, and what their condition will be at that time.

Further, when the municipality fully comoplied with GRAP 17, to determine the value of the assets where the cost amounts were not available, management used the current market values of similar assets and adjusted that using condition assessment. Condition assessment was based on management's judgement.

Water Inventory and Cost of Purifying Water

Water Inventory: The amount of water in the municipality's reserviors is based on management judjement. Management make use of engineers to perform these estimates.

Cost of Purifying Water: This is also based on management judgement by reference to the market researches available, adjusted by inflation rates (CPI), if the research was conducted more than a year ago. Reference is also made to Water Ptrocessing Bodies.

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Accounting Policies

1.5 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Compensation form third parties for investment property that was impaired,lost or given up is reognised in surplus or deficit when the compensation becomes receivables.

A property interest that is held by a lease under an operating lease may be classified and accounted for as investment property if, and only if, the property would otherwise meet the defination of an investment property and the lease uses the fair value model.

When classification is difficult, further criteria is used to distinguished investment property form owner-occupied property and from property held for sale in the ordinary course of operations,depending on the nature of the scenarion.

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. For asset that were acquired at the latter of 30 June 2012. and adoption of GRAP Standards, cost was based on the Net Replacement Cost of the assets as at 30 June 2012, when the GRAP Standards were adopted for the first time.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Accounting Policies

1.6 Property, plant and equipment (continued)

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare partes and stand by equipment which are expected to be for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property plant and equipment are accounted for as property plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight line	15-40 years
Buildings	Straight line	15-40 years
Plant and machinery	Straight line	3-15 years
Furniture and fixtures	Straight line	5-10 years
Motor vehicles	Straight line	6-7 years
Office equipment	Straight line	3-10 years
IT equipment	Straight line	3-5 years
Infrastructure	Straight line	
• Electricity		15-70 years.
• Roads, Pavement, Bridges and Storm Water		10-80 years.
• Sanitation		6-11 years.
Community	Straight line	
• Graveyard Site		15-40 years
• Recreational facilities		10-40 years
• Sport facilities		15-50 years

The residual value, and the useful life and depreciation method of each asset are reviewed at he end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

Accounting Policies

1.6 Property, plant and equipment (continued)

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.7 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. The estimated cost to rehabilitate the landfil sites is perfomed by quilified engineers, using various assmptions. A provision is then amde using those costs. The related cost can either be measured at cost or using the revaluation model.

If the related asset is measured using the cost model:
- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

If the related asset is measured using the revaluation model:
- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
  - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus orr deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.8 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management’s best estimate of the set of economic conditions that will exist over the useful life of the asset.

Accounting Policies

1.8 Intangible assets (continued)

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software, other	Straight line	3-5 years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.9 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality’s operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Accounting Policies

1.9 Heritage assets (continued)

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the differenece between the net disposal proceeds, if any, and the carrying amount of the heraitage asset. Such difference is surplus or deficit when the heritage asset is derecognised.

1.10 Investments in controlled entities

Investments in controlled entities are carried at the cost less any accumulated impairement.

The cost of an investment in controlled entities is the aggregate of:.
- the fair value, at the date of exchange, of assets gevin, liabilities incurred or assumed, and equity instruments issued by the municipality; plus
- any costs directly attributable to the purchase of the controlled entiuty.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combintion if the adjustment is probable and can be measured reliably.

1.11 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Accounting Policies

1.11 Financial instruments (continued)

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, a municipality shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

A financial asset is:
- cash;
- a residual interest of another municipality; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the municipality designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Accounting Policies

1.11 Financial instruments (continued)

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade and Other Receivables (exchange and non-exchange)	Financial asset measured at amortised cost
Cash and Cash Equivalents	Financial asset measured at amortised cost
Money Market Instruments	Financial asset measured at amortised cost
Other Financial Asset	Financial asset measured at amortised cost

The Municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade and Other Payables from exchange transactions	Financial liability measured at amortised cost
Bank overdraft and borrowings	Financial liability measured at amortised cost

Initial recognition

The Municipality recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The Municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The Municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The Municipality measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

Accounting Policies

1.11 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The Municipality measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the Municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Reclassification

The Municipality does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The Municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

1.11 Financial instruments (continued)

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Accounting Policies

1.11 Financial instruments (continued)

Derecognition

Financial assets

The Municipality derecognises financial assets using trade date accounting.

The Municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the Municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the Municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The Municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

Accounting Policies

1.11 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.12 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

When assets are leased out under a finannce lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. .

Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Finance leases - lessee

When the municipality leases certain property, plant and equipment. Leases of property, plant and equipment where the muncipality assumes substantially all the risks and rewards of ownership are classified as finannce leases. Finance lease assets and liabilities are recognised at the inception of the lease at the lower of the fair value of the leased assets and the present value of the future minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achive a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges are included in other long term payables. The interest element of the finance cost is charged to the Statement of Financial Performance over the lease period so as to produce a constant periodic rate of interest on the remaining balalnce of the liability for each period. The property plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term. The municipality will not incur a foreign currency lease liability other than that allowed by the MFMA (Act 56 of 2003).

Any contingent rents are expensed in the period in which they are incurred.

Accounting Policies

1.12 Leases (continued)

Operating leases - lessor

When the asset are leased out under an operating lease, the asset is included in the Statement of Financial Position based on the nature of the asset.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Operating leases are those leases which do not fall within the scope of the above defination of finance leases. Payments made under operating leases are charged against income on a straight line basis over the period of the lease.

1.13 Inventories

Inventories, which consists of consumables, water and stands for sale, are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Accounting Policies

1.13 Inventories (continued)

Stands for sale, Water Inventory and Meters

The municipality changed its accounting policy for inventories in 2017. The change in accounting policy is made in accordance with its transitional provision as per Directive 2 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure inventories for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Inventories. Inventories has accordingly been recognised at provisional amounts, as disclosed in 12. The transitional provision expires on .

In accordance with the transitional provision as per Directive 2 of the GRAP Reporting Framework, where inventories was acquired through a transfer of functions, the municipality is not required to measure that inventories for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2017 and inventories has accordingly been recognised at provisional amounts, as disclosed in 12.

Until such time as the measurement period expires and inventories is recognised and measured in accordance with the requirements of the Standard of GRAP on Intangible assets, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Inventories implies that any associated presentation and disclosure requirements need not be complied with for inventories not measured in accordance with the requirements of the Standard of GRAP on Inventories.

1.14 Going Concern Assumptions

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term “contractor” thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by .

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

1.14 Going Concern Assumptions (continued)

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.15 Impairment of Property, Plant and Equipment

Cash-generating assets are assets managed with the objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-oriented entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Accounting Policies

1.15 Impairment of Property, Plant and Equipment (continued)

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.15 Impairment of Property, Plant and Equipment (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:
- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.16 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset’s fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:
[Specify criteria]

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Accounting Policies

1.16 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset’s gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an “optimised” basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.16 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.17 Incomplete Construction Work (WIP)

Incomplete construction work is stated at historical costs. Historical costs relates to accumulation of capital amounts incurred to the date of commission. Depreciation will only commence when the asset is available for use, after commissioning.

1.18 Employee benefits

Employee benefits are all forms of consideration given by an municipality in exchange for service rendered by employees.

Termination benefits are employee benefits payable as a result of either:
- a municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Accounting Policies

1.18 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Multi-employer plans and/or State plans and/or Composite social security programmes

The municipality classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the municipality accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the municiaplity account for the plan as if it was a defined contribution plan.

Accounting Policies

1.18 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an municipality pays fixed contributions into a separate municipality (a fund) and will have no legal or constructive obligatin to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an municiaplity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Accounting Policies

1.18 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting municipality) that are held by a municipality (a fund) that is legally separate from the reporting municipality and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting municipality to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municiaplity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Accounting Policies

1.18 Employee benefits (continued)

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municiaplity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, a municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, a municipality shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Accounting Policies

1.18 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.19 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Accounting Policies

1.19 Provisions and contingencies (continued)

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are measured at the present value of the expenditure expected to be incurred to settle the obligation. Where there are a number of similar obligations, the likehood that an outflow will be requireed in settlement is determined by considering the class of obligation as a whole. A provision is recognised even if the likehood of an outflow with respect to any one item included in the same class of obligation may be small. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

Long Service Award

Long service awards are provided to employees who achieve certain pre-determine milestones of service within the municipality.

The municipality's net obligation in respect of long service awards is the amount of future benefist that employees have earned in return for their services in the current and prior periods less an amounts paid during the current period. The benefit is discounted to determine its present value.

The municipality has approved a detailed and formal restructuring plan and the restructuring either has commenced or has been announced publicly.

1.20 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of value added tax, trade discounts, returns and volume rebates.

Accounting Policies

1.20 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends, Service charges, Prepaid Electricity & other income

Interest earn on investments is recognised on a time proportion basis that takes into account the effective yield on the investments Interest earned on outstanding debtors is recognised on a time proportion basis.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality’s right to receive payment has been established.

Service charges relating to electricity, water nd sanitation are based on consumption. Meters are read and billed onm a monthly basis and revenue is recognised when invoiced. Estimated consumption's are made monthly when meters have not been read. The estimates of consumption are recognised as revenue when invoiced. These adjustments to estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as against or for revenue in the invoicing period.

Income from agency services: income from agency services is recognised on a monthly basis once the income collected/recived on behalf of agents has been quantified. The income is recognised in terms of the agency agreement.

1.21 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

1.21 Revenue from non-exchange transactions (continued)

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. The inflow of resources from a non-exchange transaction shall be recognised as an asset when it is probable that future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliable

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

Services in-kind

Service in-kind are recognised as revenue and as an asset when the recognition criteria is met.

1.22 Value Added Tax

The municipality accounts for Value Added Tax (VAT) on a cash basis. The municipality is liable to account for VAT at the standard rate of 14% in terms of section 7(1) of the VAT Act in respectr of supply of goods or services, except where the suppliers are s[ecifically zero-rated in terms of section 11, exempted in terms of section 12 of VAT Act or scoped out for VAT purpose. The municipality accounts for VAT on a monthly basis.

1.23 Pre-paid electricity

Revenue from the sale of electricty using pre-paid meter cards is recognised based on consumption.

The consumption is determined on the following trend analysis:
- during the winter season (May, June, July and August), the municipality tend to sell more units as the temperatures will be generally low;
- The municipality calculates thge average sales for the four months. The result average units are compared to the sales for May and August for reasonableness. If the average sales in units are within a reasonable range or threshold of May and August sales, the average is deemed reasonable. If it is not within the reasonable range obtained for the two months, reasons for significant variances are obtained and accounted for in appropriately, which may be in the form of an adjustment to the revenue for pre-paid electricity. Thus exceptional items are adjusted for.
- The resultant for the month of Jun. The actual units sold in June are then compared to the estimated consumption for June.

If the actual quantity sold is more than the estimated consuption for June, pre-paid electricity revenue sales for June is then based on the estimated consumption units and the excess is deferred to July of the ensuing period.

If the actual quantity sold in June is less than the estimated consumption for June, pre-paid electricity for June is then based on the actual units sold.

1.24 Finance income and expenses

Finance income is recognised on a time proportion basis using the effective interest method. If is recognised as it accrues in the surplus or deficit for the year. Dividends income is also recognised in the surplus or deficit on the date the municipality has a right to receive payment, which in the case of quoted shares is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit and loss and imapirment losses recognised on financial assets.t

1.25 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.26 Comparative figures

Where the preesentation or classification of items in the financial statements is amended, prior period comparative amounts are classified. The nature and reasons for the reclassification is year.

When accounting errors have been identified in the current financial year, the correction is made retrospectively as far as it is practical and the prior year comparatives are restated accordingly. When there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as it is practical and the prior year camparatives are restated accordingly.

Accounting Policies

1.27 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division or permitted by the MFMA.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.28 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.29 Irregular expenditure

Irregular expenditure that is contrary to the Municipal Finance Management Act (Act 56 of 2003), the Municipal Systems Act (Act No 32. 0f 2000), and Public Office Bearers Act (Act No.0 0f 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the relevant authority, it is treated as a receivable untul it is written off as irrecoverable.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.30 Use of estimates

The preparation of annual financial statements in conformity with Standard of GRAP requires the use of certain critical accounting estmates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

Accounting Policies

1.31 Gratuities

The muncipality provides gratuities for qualifying staff members in terms of the relevant conditions of employment. The expenditure is recognised in the statement of financial performance when the gratuity is paid.

1.32 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2016/07/01 to 2017/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.33 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

1.34 Donations and Contributions

Revenue from donations is recognised as revenue when: (1) it is probable that the economic benefits or services potential associated with the transaction will flow to the municipality, (2) the amount of revenue can be measured reliably, (3) any restrictions associated with the donation have been met.

Revenue from donations is measured at the fair value of the considerations received or receivable which is the cash amount received or where the donation is in the form of Property, Plant and Equipment, the fair value of the property, plant and equipment received or receivable.

1.35 Consumer deposit

Consumer deposits are charged when new water and/or electricity accounts are opened. The amounts vary per consumer and are approved by Council as part of the tariff structure.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2017 ia as disclosed in the notes to the financial statementt

3. Investment property

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	26 519 584	-	26 519 584	26 321 836	-	26 321 836

Reconciliation of investment property - 2017

	Opening balance	Fair value adjustments	Total
Investment property	26 321 836	197 748	26 519 584

Reconciliation of investment property - 2016

	Opening balance	Fair value adjustments	Total
Investment property	25 872 289	449 547	26 321 836

Pledged as security

No investment properties are pledged as security:

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation

The effective date of the revaluations was Friday, 30 June 2017. Revaluations were performed by an independent valuer, DDP Valuer [a Professinal Valuer, registered with the South African Council for Property Valuers. DDP Valuers are not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use. The process to determination of market value took into account the following assumptions, among other things, (a) selling prices of similar recent property sales in Christiana, (b) age and current condition of the buildings, (c) use of the building, (d) existing current lease agreement in palce, (e) discount rate in line with the municipality estmated cost of borrowings and (f) any other key assumptions deemed necessary.

There is no restrictions on the realisability of the investment property or the remittance of revenue genarated by investment properties. Valuations were done by an independent sworn appraiser.

Amounts recognised in surplus and deficit for the year.

	2017	2016
Rental revenue from investment property	786 479	830 968
Fair value adjustment	197 748	449 547

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

4. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	53 717 291	-	53 717 291	42 674 738	-	42 674 738
Buildings	13 791 001	(4 050 722)	9 740 279	13 937 101	(3 582 624)	10 354 477
Plant and machinery	5 831 512	(3 402 181)	2 429 331	5 732 806	(2 871 516)	2 861 290
Furniture and fixtures	1 671 055	(1 017 798)	653 257	1 675 816	(849 810)	826 006
Motor vehicles	7 855 000	(5 337 582)	2 517 418	7 587 329	(4 645 473)	2 941 856
Office equipment	4 055 382	(3 299 254)	756 128	4 161 592	(2 647 466)	1 514 126
IT equipment	1 753 752	(1 034 235)	719 517	1 481 928	(780 065)	701 863
Roads, Pavem, Bridges & Storm Water	211 217 343	(63 706 845)	147 510 498	220 510 101	(57 726 023)	162 784 078
Community	10 596 627	(2 439 627)	8 157 000	10 646 128	(2 015 668)	8 630 460
Electricity	111 667 798	(31 657 041)	80 010 757	117 659 827	(31 529 711)	86 130 116
Landfil Site	11 179 822	(2 294 796)	8 885 026	6 393 626	(2 294 796)	4 098 830
Work In Progress	50 569 233	-	50 569 233	16 920 926	-	16 920 926
Total	**483 905 816**	**(118 240 081)**	**365 665 735**	**449 381 918**	**(108 943 152)**	**340 438 766**

Reconciliation of property, plant and equipment - 2017

	Opening balance	Difference	Additions	Disposals	Revaluations	Depreciation	Total
Land	42 674 738	**11 042 553**	-	-	-	-	53 717 29
Buildings	10 354 477	-	-	(86 013)	-	(528 185)	9 740 27
Plant and machinery	2 861 290	-	-	-	-	(431 959)	2 429 33
Furniture and fixtures	826 006	-	-	-	-	(172 749)	653 25
Motor vehicles	2 941 856	-	-	-	-	(424 438)	2 517 41
Office equipment	1 514 126	-	-	-	-	(757 998)	756 12
IT equipment	701 863	-	17 654	-	-	-	719 51
Roads, Pavem, Bridges & Storm Water	162 784 078	**(16 180 008)**	10 823 063	(1 140 432)	-	(8 776 203)	147 510 49
Community	8 630 460	**(31 036)**	-	(12 123)	-	(430 301)	8 157 00
Electricity	86 130 116	**(719 209)**	600 014	(1 135 360)	-	(4 864 804)	80 010 75
Landfil Sites	4 098 830	-	-	-	5 674 699	(888 503)	8 885 02
Work In Progress	16 920 926	-	33 648 307	-	-	-	50 569 23
	340 438 766	**(5 887 700)**	**45 089 038**	**(2 373 928)**	**5 674 699**	**(17 275 140)**	**365 665 73**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Difference	Additions	Disposals	Transfers	Depreciation	Total
Land	42 764 539	**(89 801)**	-	-	-	-	42 674 73
Buildings	10 893 568	**-**	-	(13 057)	-	(526 034)	10 354 47
Plant and machinery	3 573 908	**(273 600)**	136 800	-	-	(575 818)	2 861 29
Furniture and fixtures	898 369	**-**	95 430	-	-	(167 793)	826 00
Motor vehicles	2 402 389	**-**	1 196 700	-	-	(657 233)	2 941 85
Office equipment	2 614 097	**-**	69 378	-	-	(1 169 349)	1 514 12
IT equipment	672 227	**-**	267 299	-	-	(237 663)	701 86
Roads, Pavem, Bridges & Storm Water	173 822 041	**387 660**	-	(2 574 487)	-	(8 851 136)	162 784 07
Community	9 059 693	**1 070**	-	-	-	(430 303)	8 630 46
Electricity	84 575 172	**(228 137)**	8 013 908	(1 690 138)	283 200	(4 823 889)	86 130 11
Landfill Sites	4 863 762	**-**	-	-	-	(764 932)	4 098 83
Work in Progress	8 668 311	**-**	15 796 774	-	-	(7 544 159)	16 920 92
	344 808 076	**(202 808)**	**25 576 289**	**(4 277 682)**	**283 200**	**(25 748 309)**	**340 438 76**

Pledged as security

The municipality does not have any assets pledged as security:

Assets subject to finance lease (Net carrying amount)

	2017	2016
Office equipment	-	2 222 467

Useful Lives

The useful lives of the assets have been reviewed to ensure that they more accurately reflected the actual expected life spans of the assets within the municipality. In all of the cases, the useful lives were not adjusted as they were found to be reasonable.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

5. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, internally generated	1 556 783	(1 302 505)	254 278	1 515 530	(1 151 842)	363 688

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software, internally generated	363 688	41 253	(150 663)	254 278

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

5. Intangible assets (continued)

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software, internally generated	663 329	15 609	(315 250)	363 688

Pledged as security

The municipality does not have any intangible assets pledged as security:

Restricted title

There is no restriction on the title of intangible assets.

Intangible assets have finite useful lives and are amortized over the useful lives.

6. Heritage assets

	2017			2016		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	170 000	-	170 000	170 000	-	170 000

Reconciliation of heritage assets 2017

	Opening balance	Total
Historical monuments	170 000	170 000

Reconciliation of heritage assets 2016

	Opening balance	Total
Historical monuments	170 000	170 000

7. Investments in controlled entities

Name of company	Held by	% holding 2017	% holding 2016	Carrying amount 2017	Carrying amount 2016
Lekwa-Teemane Development Agency (PTY) LTD		100,00 %	100,00 %	20 100	20 100

The carrying amounts of controlled entities are shown at cost, net of impairment losses. If there are any impairment losses.

Controlled entities pledged as security

There is no controlled entity pledged as security..

8. Other financial assets

	2017	2016
Designated at fair value		
Listed shares	2 921 011	64 633
Othe financial asset	48 000	-
	48 000	-

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

8. Other financial assets (continued)

	2 969 011	**64 633**
Non-current assets		
Designated at fair value	48 000	-
Current assets		
Designated at fair value (Sanlam Shares)	2 921 011	64 633

Financial assets at fair value

Fair values of financial assets measured or disclosed at fair value

Listed Shares This comprises of 1 058 shares held in Sanlam. The shares were valued based on the market value of the shares as at 30 June 2017, which was R60.10 per share (2016): R61.02)	2 921 011	64 633

9. Traffic Fines receivables

Reconciled as follows:		
Gross amount receivables	65 759 630	65 697 580
Impairment	(61 980 420)	(61 980 420)
	3 779 210	**3 717 160**

The impairment of the traffic fines is based on a management estimates determined by considering the collection rate of issued fines as well as the success rate of appeals on issued fines.

10. Employee benefit obligations

Defined benefit plan

The defined benefit plan, is a post employment medical benefit plan.

Post retirement medical aid plan

The municipality operates a funded post employment health care defined benefit plan for qualifying employees. Employees of the municipality are members of Bonitas, Keyhealth and SAMWUMED medical aid schemes.

The municipality is commited to pay 60% of the members post employment medical aid contributions up to an amount that is currently capped at R3 942.23 per month. Under the plan, dependents of the former employees ar entitled to continued membership of their medical aid scheme upon the death of the primary member. No other post-employment benefits are provided to these employees. As at the balance sheet date, the members of the medical aid entitled to the post employment medical scheme subsidy were 107 in service members and 23 pensioners.

The most recent actuarial valuation of the plan assets and the present value of the defined obligations were carried out at 30 June 2017 by ARCH Actuaries. The present value of the defined benefits obligation, and the related current services cost and past services costs, were measured using the Projected Unit Credit Method.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

10. Employee benefit obligations (continued)

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(24 706 000)	(24 706 000)
Fair value of plan assets	(8 167 839)	-
	(32 873 839)	**(24 706 000)**
Non-current liabilities	(32 873 839)	(23 941 000)
Current liabilities	-	(765 000)
	(32 873 839)	**(24 706 000)**

The municipality does not have assets set aside for post-employment medical aid funding that qualify as plan assets in terms of the requirements of IAS 19. As such no value has been ascribed to the fair value of plan assets and no other disclosure has been done relating to plan assets.

Key assumptions for - Long Service Awards

Discount Rates	8,47 %	8,80 %
General Salary Inflation	6,29 %	7,51 %
Net Effective Discount Rates	2,05 %	1,20 %
	-	**-**

Long Service Award

The actuarial valuation of the long service award was performed by CHANAN WEISS (Fellow of the Actuarial Society of South Africa), on behalf of ARCH Actuaries (Pty) Ltd

The long service bonus award provision consist of an obligation to pay ouyt bonus to qualifying employees in the year the employee the attains the required service period. The obligation represents a liability to Lekwa-Teemane Local Municipality and the value is represented by the present value of long service bonus awards expected to be paid in future. The valuation is thus an estimate of the cost of providinglongservice awards. The actual cost to the municipality will be dependent on the future levels of assumed variables and the demographic profileof the membership. The municipality is required to pay bonuses to its employees for every 5 years of service completed form 10 years to 45 years. This will be in the form of leavedays accumulated, that will be encashed immediately.t

Valuation assumptions made include Discount Rate of 8.47% (2016: 8.80%), Consumer Price Inflation of 6.29% (2016:6.51%) Normal Salary Increase of 6,29% (2016: 7.51%) and Net Effective Discount Rate of 2.05% (2016: 1.20%)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	26 668 000	24 706 000
Benefits paid	-	(761 000)
Net expense recognised in the statement of financial performance	-	2 723 000
	26 668 000	**26 668 000**

Net expense recognised in the statement of financial performance

Current service cost	-	859 000
Interest cost	-	1 778 000
Actuarial (gains) losses	-	86 000
	-	**2 723 000**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

10. Employee benefit obligations (continued)

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(5 697 839)	86 000

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9,51 %	9,54 %
Expected rate of return on assets	7,80 %	7,19 %
Expected rate of return on reimbursement rights	5,48 %	8,69 %
Actual return on reimbursement rights	1,58 %	0,78 %

Demographic Assumptions: Normal Retirement age (65 years), Fully accrued agre (63 years), Age between husband and wife (Active members - 4 years, Pensioners - actual age used: Proportion married (Active members - 90%, Pensioners - actual married status used.

Decrement Assumptions: Mortality (Active members: SA (85 - 90), Pensioners; PA(90 - 92).

Continuation percentages: it was assumed that 100% of the deceased pensioners spouse will continue with their membership.

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	**One percentage point decrease**
Effect on the aggregate of the service cost and interest cost	3 703 000	3 464 000
Effect on defined benefit obligation	24 485 104	22 981 632

Amounts for the current and previous four years are as follows:

	2017 R	2016 R	2015 R	2014 R	2013 R
Defined benefit obligation	21 478 161	24 706 000	22 744 000	20 585 000	19 310 000

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

10. Employee benefit obligations (continued)

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees [or specify number of employees covered]. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

Multi-Employer and State Plans

The folowing are the defined plans that the municipality's employees belong to:
- SAMWU Provident Fund
- Metropolitan Pension Fund
- South African Local Authorities (SALA) Pension Fund
- Municipal Graduaity Fund

These are not treated as define benefit plans as define by IAS 19, but are accounted for as define contribution plans. This is in line with the exemption in IAS 19 Paragrph 30 which states that where information required for proper defined benefit accounting is not available in respect of multi-employer and state plan, these should be accounted for as defined contribution plans. The municipality has been unsuccessful in obtaining the necessary information to support proper defined benefit plan accounting due to restrictions imposed by the multi-employer plan. It is therefore deemed impracticable to obtain this information at a suitable level of detail. An amount of R3, 942.23.(2016: R3,846,531) was contributed by council in respect of councillors and employees retirement fund. These contributions have been expensed and are included in employee related costs for the year.

In terms of constributions to the fund, the municipality and employee contributions are as follows:
- SALA Pensin Fund - Employee (8.6%); Employer (20.78%);
- SAMWU Pension Fund - Employee (8.6%); Employer (18.6%);
- Metropolitan Pension Fund - Employee (8.6%); Employer (18.06);
- Municipal Graduity Fund - Employee (8.6%); Employer (18.6%)

Plan Assets

The muncipality does not have assets set aside for post-employment medical aid benefits fund that qualify as plan assets in terms of the requirements of IAS 19. As such no value has been ascribed to the fair value of plamn assets.

11. Money Market Investment

This relates to money market placements with various financial services institutions. the money is placed on fixed or call accounts. The investment period averages 60 days. The average interest rates for the current year were .6.4.% (2016: 5.83%).t

Money Market Investment		
Nedbank (Various Accounts)	80 923	80 923
ABSA (Various Accounts)	536 693	536 693
	617 616	**617 616**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

12. Inventories

Water	96 882	91 267
Stands	7 864	7 864
	104 746	**99 131**

12.1 Non - Financial information - Quantities of Water (Kilolitres)

Stoordam Stand	4 121	3 564
Utlwanang	648	232
Bloemhof Reservior 1	6 444	7 500
Bloemhof Reservior 2	1 289	450
Tower Reserviors	322	19
Networks and Pipes	7 508	8 250
	20 332	**20 015**

Inventory pledged as security

No inventory was pledged as security for the current year and previous year.

13. Receivables from exchange transactions

Trade debtors	224 498	91 434
Deposits	29 618	29 618
Other receivables 1	665 149	654 507
Other receivables 3	198	-
	919 463	**775 559**

Trade and other receivables pledged as security

There were no trade and other receivables were pledged as security during the year under review and prior year.

Possible Fraud Cases

Included in other debtors, is an amount of R 455 645.(2016: R255, 355) relating to collections that were made the municipality's appointed auctioneer to sell some of theredundant goods and equipment of teh municipality. The auction did not , however depossit the auction proceeds into the municipality's bank account. A case of fraud has been opened.:

Legal Case Debtors

Total Debtors	452 298	452 298
Total Impairment	(452 298)	(452 298)

14. Receivables from non-exchange transactions

Consumer debtors - Rates	100 686 980	1 100 799

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

14. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions impaired

Some of the other receivables from non-exchange transactions were not considered to be impaired. At 30 June 2017, R100,686 980 (2016: R1, 100,800 were not impaired.

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The ageing of amounts past due but not impaired is as follows:

1 month past due	63 942 510	699 076
2 months past due	19 449 855	212 643
3 months past due	17 294 614	189 080

As at 30 June 2017, other receivables from non-exchange transactions of R 24, 385,132 (2016: R21, 912,131 were impaired and provided for.:

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	21 912 131	23 547 820
Current year movement	2 473 494	(1 635 689)
	24 385 625	**21 912 131**

Rates Billed

Assessment Rates (Amount before Farmers rebates)	15 697 414	14 847 461

Valuation Roll		
Residential	891 829 800	776 738 600
Business	276 610 000	250 259 800
Industrial	45 927 900	45 927 900
State	18 909 600	18 127 000
Vacant Land	1 781 100	1 238 700
Agriculture	1 142 356 100	1 046 972 500
	2 377 414 500	**2 139 264 500**

15. VAT receivable

The municipality is charged VAT on cash basis. Thus the VAT 201's are based on amount paid and/or collected. However in the ledger the amounts for output and input VAT are accruedwhen the transactions occurs.

16. Consumer debtors

Gross balances		
Electricity	37 678 220	30 390 481
Water	167 375 985	131 105 854
Sewerage	70 392 738	65 347 546
Refuse	54 024 886	50 495 760
Interest (all Service charges)	125 712 804	99 255 079
Sundry Debtors	4 467 437	4 193 139
	459 652 070	**380 787 859**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

16. Consumer debtors (continued)

Less: Allowance for impairment		
Electricity	(33 933 936)	(27 035 212)
Water	(167 552 991)	(123 738 192)
Sewerage	(70 786 376)	(62 221 714)
Refuse	(54 444 842)	(48 080 348)
Interest (All service charges)	(125 381 576)	(94 507 316)
Sundry	(4 234 097)	(3 995 158)
	(456 333 818)	**(359 577 940)**

Net balance		
Electricity	3 744 284	3 355 269
Water	(177 006)	7 367 662
Sewerage	(393 638)	3 125 832
Refuse	(419 956)	2 415 412
Interest (All service charges)	331 228	4 747 763
Sundry	233 340	197 981
	3 318 252	**21 209 919**

Electricity		
Current (0 -30 days)	3 227 708	2 859 622
31 - 60 days	352 115	262 360
61 - 90 days	164 461	233 287
	3 744 284	**3 355 269**

Water		
Current (0 -30 days)	(177 006)	5 099 122
31 - 60 days	-	1 200 801
61 - 90 days	-	1 067 739
	(177 006)	**7 367 662**

Sewerage		
Current (0 -30 days)	(393 638)	1 985 098
31 - 60 days	-	603 822
61 - 90 days	-	536 912
	(393 638)	**3 125 832**

Refuse		
Current (0 -30 days)	(419 956)	1 533 936
31 - 60 days	-	466 589
61 - 90 days	-	414 887
	(419 956)	**2 415 412**

Business service levies		
Current (0 -30 days)	331 228	3 015 123
31 - 60 days	-	917 134
61 - 90 days	-	815 506
	331 228	**4 747 763**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

16. Consumer debtors (continued)

Other (specify)

Current (0 -30 days)	103 099	121 486
31 - 60 days	11 942	40 491
61 - 90 days	118 299	36 004
	233 340	**197 981**

Reconciliation of allowance for impairment

Balance at beginning of the year	(359 577 940)	(317 329 571)
Contributions to allowance	(96 755 878)	(42 248 369)
	(456 333 818)	**(359 577 940)**

Consumer debtors pledged as security

No consumer debtors were pledged as security

Subsequent Adjustments

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

The Gross Balances of the consumer debtors have been adjusted by receipts of R .that were received during the year and only identified and allocated after year end and hence could not be adjusted on the Debtors Account as at year endr.

Fair value of consumer debtors

The creation and release of allowance fore impaired receivables have been included in operating expenses ion the statement of financial performance(note 34). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.]

17. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	3 652 544	-
Bank overdraft	-	(278 014)
	3 652 544	**(278 014)**

Current assets	3 652 544	-
Current liabilities	-	(278 014)
	3 652 544	**(278 014)**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
Absa BANK - Current Account - Acc Number: 1810000844	147 086	(110 085)	-	3 324 322	(608 532)	-
Absa BANK - Current Account - Acc Number: 181046415	26 879	26 383	-	26 384	26 384	-
Absa BANK - Current Account - Acc Number4059244467	172 116	299 257	-	299 157	299 157	-
Absa BANK - Current Account - Acc Number:4053056975	751	4 978	-	2 681	4 978	-
Total	**346 832**	**220 533**	**-**	**3 652 544**	**(278 013)**	**-**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

18. Finance lease obligation

Minimum lease payments due		
- within one year	2 375 089	4 297 113
- in second to fifth year inclusive	-	1 118 305
	2 375 089	5 415 418
less: future finance charges	-	(3 040 329)
Present value of minimum lease payments	**2 375 089**	**2 375 089**
Present value of minimum lease payments due		
- within one year	-	1 431 373
- in second to fifth year inclusive	-	943 716
	-	**2 375 089**
Non-current liabilities	2 375 089	943 716
Current liabilities	-	1 431 373
	2 375 089	**2 375 089**

It is municipality policy to lease certain motor vehicles and equipment under finance leases, denominated in the present currency (Rand)

The average lease term was 3-5 years and the average effective borrowing rate was 12% (2016: 13%).

Interest rates are linked to prime at the contract date while some increases by a fixed margin. Motor vehicle leases have fixed repayments and no arrangements have been entered into for contingent rent whilst furniture leases have a variable interest rate. The repayments increases by an average of 13% per year over the three year period.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 4.

Defaults and breaches

During the period underreview, there were no defaults or breaches of any leases agreements.]

Market risk

The carrying amounts of finance lease liabilities are denominated in Rand.

The fair value of finance lease liabilities approximates their carrying amounts.

19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	1 830 243	-
Unspent grants 5	138 618	-
Integrated National Electricity Programme	600 000	-
Dept of Arts, Sports and Culcture (Utlwanang Library)	294 854	600 000
	2 863 715	**600 000**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

19. Unspent conditional grants and receipts (continued)

Movement during the year

Balance at the beginning of the year	600 000	6 761 678
Additions during the year	44 633 175	24 114 000
Income recognition during the year	(42 369 460)	(30 275 678)
	2 863 715	**600 000**

Non-current liabilities	600 000	-
Current liabilities	2 263 715	600 000
	2 863 715	**600 000**

See note 28 for reconciliation of grants from National/Provincial Government.

The municipality has applied for Roll-over of R2.8 Mil unspent conditional grant for 2016/17. However the request was rejeccted for the following reasons:
- No proper grant disclosure in the 2016/17 annual financial statement
- Supporting documents were not submitted in line with Circular 86 of the MFMA.

20. Other financial liabilities

Designated at fair value		
DRSM	3 000 000	5 719 415
Terms and conditions		

Current liabilities		
DRSM	3 000 000	5 719 415

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

21. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Actual (Gains)/Losses	Total
Environmental rehabilitation	7 695 201	-	7 695 201
Long service awards	3 040 000	427 584	3 467 584
	10 735 201	**427 584**	**11 162 785**

Reconciliation of provisions - 2016

	Opening Balance	Actual (Gains)/Losses	Utilised during the year	Reversed during the year	Change in discount factor	Reduction due to re-measurement or settlement without cost to entity	Total
Environmental rehabilitation	7 299 829	-	395 372	-	-	-	7 695 20
Long service Awards	3 098 000	(85 000)	-	237 000	265 000	(475 000)	3 040 00
	10 397 829	**(85 000)**	**395 372**	**237 000**	**265 000**	**(475 000)**	**10 735 20**

Non-current liabilities	11 162 785	10 378 201
Current liabilities	-	357 000
	11 162 785	**10 735 201**

Environmental rehabilitation provision

Council operates two disposal sites. In terms of the Environmental Conservation Act No. 73 of 1989, the municipality is supposed to rehabilatate such land upon closure of the dumping sites. Provision based on engineering estimates has been provided.

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22. Payables from exchange transactions

Trade payables	238 295 291	229 988 973
Payments received in advanced - contract in process	2 980 263	3 848 180
Unallocted receipts	8 443 452	228 177
Other payables	7 161 799	1 750 405
Accrued leave pay	10 264 854	5 904 900
Other creditors #2	2 518 686	-
	269 664 345	**241 720 635**

Fair value of trade and other payables

Trade and other payables have not been fair valued. The main reason for that is the major creditors such as Eskom and Auditor-General of South Africa do charge interest on all outstanding invoices. As such the amount owing is thus the fair value. There is no need to re-discount the amounts so as to determine the fair value. The amount owing to Department of Water Affairs cannot be fair valued as the account has not been settled in over 10 years and there is no indication as to when any payment will be made, and based on this itis inpracticable to fairvalue the amount.]

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

23. Financial instruments disclosure

Financial asset

Other financial asset	2 921 011	64 633
Trade and other receivables from exchange transactions	919 463	777 559
Other receivables from non-exchange transactions	100 686 980	1 563 101
	3 318 252	21 209 919
	107 845 706	**23 615 212**

24. VAT payable

Tax refunds payables	1 706 469	6 003 639

25. Consumer deposits

Eletricity	995 839	995 839
Water and Hall deposit	298 461	187 235
	1 294 300	**1 183 074**

26. Revenue

Service charges	152 852 578	117 401 046
Rental of facilities and equipment	786 479	830 968
Interest on debtors	30 032 019	24 550 613
Licences and permits	1 908 722	1 610 761
Loan written off - Recoveries	5 719 415	-
Fair Value Adjustment	5 901 355	443 876
Sundry income	625 373	1 950 552
Insurance Claims	-	118 109
Interest received - investment	14 426	299 414
Property rates	15 697 415	11 987 738
Government grants & subsidies	81 629 460	63 148 075
Fines	14 528 360	18 985 200
Donations received	98 706	1 196 700
	309 794 308	**242 523 052**

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	152 852 578	117 401 046
Rental of facilities and equipment	786 479	830 968
Interest on debtors	30 032 019	24 550 613
Licences and permits	1 908 722	1 610 761
Recoveries	5 719 415	-
Interest on Debtors	5 901 355	443 876
Sundry income	625 373	1 950 552
Insurance Claims	-	118 109
Interest received - investment	14 426	299 414
	197 840 367	**147 205 339**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

26. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	15 697 415	11 987 738
Transfer revenue		
Government grants & subsidies	81 629 460	63 148 075
Fines	14 528 360	18 985 200
Donations Received	98 706	1 196 700
	111 953 941	**95 317 713**

Nature and type of services in-kind are as follows:

The muncipality offers services in kind to Lekwa Teemane Development Agency. These services include (a) use of the muncipality's internet services (b) cleaning of the entity's offices by municipali employees (c) printing services (d) use of offices on a no rental basis]

27. Service charges

Pre-paid Electricity	2 440 952	1 411 339
Sale of electricity	66 546 852	54 887 817
Sale of water	49 597 629	29 452 925
Sewerage and sanitation charges	20 282 180	18 896 009
Refuse removal	13 984 965	12 752 956
	152 852 578	**117 401 046**

28. Other revenue

Loan written off - Recovery	5 719 415	-
Interest on Debtors	5 901 355	443 876
Sundry income	625 373	1 950 552
Insurance Claims	-	118 109
	12 246 143	**2 512 537**

29. Property rates

Rates received

All property types	15 697 415	11 987 738

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

30. Government grants and subsidies

Operating grants		
Equitable share	39 260 000	39 611 769
Finance Management Grants	1 671 382	1 675 000
Expanded Public Works Grants (EPWP)	1 000 000	1 072 000
MIG	-	721 850
Library Grant	705 146	400 000
MSIG	-	930 000
LG SETA	206 175	22 306
	42 842 703	**44 432 925**
Capital grants		
Municipal Infrastructure Grant	23 786 757	13 715 150
Integrated National Electrification Programme	15 000 000	5 000 000
	38 786 757	**18 715 150**
	81 629 460	**63 148 075**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	38 768 757	30 006 106
Unconditional grants received	42 562 703	32 850 000
	81 331 460	**62 856 106**

Equitable Share

In terms of the Constitution Act, part of this grant is used to subsidise the provision of basic services to indigent community members. Included in the Equitable Share is an amount of R2 132 000 that was witheld from the Equitable Share allocation of the 2014/15 financial year. An amount of R6 762 000 (2015: R4 002 000) was withheld from the current year allocation due to unspent MIG grants.

All registered indigents receive a monthly subsidy of R - (2016: R -), which is funded from the grant.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	-	6 185 745
Current-year receipts	25 617 000	14 437 000
Conditions met - transferred to revenue	(23 786 757)	(14 437 000)
Other	-	(6 185 745)
	1 830 243	**-**

The grant is used for the construction or resealing of roads infrastructure within the municipal boundries.

The unspent portion form 2014/15 was withheld from the 2015/16 allocation of the Equitable share.

Integrated National Electricity Programme Grant (INEP)

Balance unspent at beginning of year	-	575 933
Current-year receipts	15 000 000	5 000 000
Conditions met - transferred to revenue	(15 000 000)	(5 575 933)
	-	**-**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

30. Government grants and subsidies (continued)

The grant used for the operational and capital purpose, which included payment of interns salaries and other budgetary reforms.

EPWP - CAPA

Current-year receipts	1 000 000	1 072 000
Conditions met - transferred to revenue	(1 000 000)	(1 072 000)
	-	-

Conditions still to be met - remain liabilities (see note 19).

The grant was received from the Department of Co-operative Governance and Traditional Affairs (CoGTA) for the cleaning of the municipal surroundings.

Finance Management Grant (FMG)

Current-year receipts	1 810 000	1 675 000
Conditions met - transferred to revenue	(1 671 382)	(1 675 000)
	138 618	-

The grant was used for operational and capital purpose, which included payment of interns salaries and other budgetary reforms.

Municipal System Imrovement Grant (MSIG)

Current-year receipts	-	930 000
Conditions met - transferred to revenue	-	(930 000)
	-	-

Conditions still to be met - remain liabilities (see note 19).

The grant was meant for system and policy related projects.

Department of Sports, Arts and Culture

Balance unspent at beginning of year	600 000	-
Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(1 305 146)	(400 000)
	294 854	**600 000**

Conditions still to be met - remain liabilities (see note 19).

The grant is provided for the purpose of the operational expenses of the library's.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2015), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

31. Employee related costs

Basic	30 379 807	24 014 935
Medical aid - company contributions	8 254 073	7 493 185
UIF	286 591	260 886
Other payroll levies	1 214 000	1 124 000
Leave pay provision charge	2 247 910	2 716 379
Overtime payments	2 294 672	2 754 847
Car allowance	2 855 872	2 673 261
Housing benefits and allowances	1 082 047	1 431 861
Telephone Allowances	239 642	134 771
Actuarial (gains)/losses	6 101 765	(207 147)
Interest Cost - Post Retirement Benefits	2 543 000	2 015 000
	57 499 379	**44 411 978**

Remuneration of municipal manager

Annual Remuneration	365 316	582 552
Car Allowance	105 262	150 000
Housing	90 917	207 374
Telephone Allowance	10 500	18 000
	571 995	**957 926**

Remuneration of chief finance officer

Acting allowance	381 668	437 999

Corporate and human resources (corporate services)

Annual Remuneration	497 380	469 243
Car Allowance	120 000	120 000
Housing allowance	196 515	190 963
Telephone	14 400	14 400
	828 295	**794 606**

Remuneration of Technical Service Director

Annual Remuneration	141 738	494 046
Car Allowance	-	110 000
Other	-	217 653
Other	-	13 200
	141 738	**834 899**

Procurements and infrastructure (planning, transport and environmental affairs)

Annual Remuneration	511 364	482 650
Car Allowance	199 896	199 896
Housing	125 942	120 000
Telephone Allowance	14 400	14 400
Other	115 505	-
	967 107	**816 946**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

32. Remuneration of councillors

Mayor's allowance	810 211	833 366
Councillors Allowance	3 910 436	3 561 130
	4 720 647	**4 394 496**

In-kind benefits

The Executive Mayor is full-time. He is provided with an office and secretarial support at the cost of the Council.

33. Depreciation and amortisation

Property, plant and equipment	17 172 591	17 959 914

34. Finance costs

Non-current borrowings	4 967 491	8 851 101
Other interest paid	21 589	75 585
	4 989 080	**8 926 686**

Total interest expense, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R - (2016: R -).

35. Debt impairment

Debt impairment	13 603 780	55 741 604

36. Bulk purchases

Electricity	44 929 961	45 744 533
Water	20 905 459	18 084 896
	65 835 420	**63 829 429**

37. Contracted services

Other Contractors	12 748 144	6 086 216

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

38. General expenses

Advertising	321 549	270 749
Auditors remuneration	268 152	2 349 280
Bank charges	390 691	322 819
Consulting and professional fees	8 645 292	9 459 859
Consumables	45 696	75 298
Entertainment	81 861	130 822
Insurance	-	817 334
Community development and training	9 439	246 326
Conferences and seminars	350 000	567 344
Licensing	112 252	60 637
Motor vehicle expenses	1 224 524	1 305 072
Pest control	-	19 305
Postage and courier	6 254	12 965
Printing and stationery	621 739	652 831
Promotions	-	54 875
Protective clothing	37 995	247 931
Subscriptions and membership fees	568 347	23 939
Telephone and fax	382 214	333 039
Training	-	687 478
Travel - local	1 000 678	1 019 411
Number Plates	138 731	137 620
Development Agency Assistance	32 593	89 413
Indigent subsidy	21 569 610	19 452 696
Strategic Planning workshop	-	73 050
Stores and material	115 594	89 309
Municipal accounts	4 780 497	4 831 612
Chemicals	-	287 779
Printing of traffic signs	-	403 983
	40 703 708	**44 022 776**

39. Auditors' remuneration

Fees	268 152	2 349 280

40. Cash generated from operations

Surplus (deficit)	86 958 560	(14 772 764)
Adjustments for:		
Depreciation and amortisation	17 172 591	17 959 914
Debt impairment	13 603 780	55 741 604
Movements in retirement benefit assets and liabilities	8 167 839	24 706 000
Movements in provisions	427 584	30 735 201
Interest on debtors	-	(13 634 410)
Changes in working capital:		
Inventories	(5 615)	(99 131)
Receivables from exchange transactions	(143 904)	(775 559)
Consumer debtors	4 287 887	(96 951 523)
Other receivables from non-exchange transactions	(99 586 181)	(1 100 799)
Construction contracts and receivables	-	(3 717 160)
Payables from exchange transactions	27 943 710	50 000
VAT	(4 297 170)	6 003 639
Unspent conditional grants and receipts	2 263 715	600 000
Movement in Consumer deposits	111 226	1 183 074
	56 904 022	**5 928 086**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
41. Commitments		
Authorised capital expenditure		
Approved and Contracted for		
• Property, plant and equipment	3 164 765	5 513 159
Not yet contracted for but authorised by accounting officer		
• Property, plant and equipment	25 126 216	44 536 000
Total capital commitments		
Already contracted for and provided	3 164 765	5 513 159
Not yet contracted for but authorised by accounting officer	25 126 216	44 536 000
	28 290 981	**50 049 159**

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

42. Contingencies

42.1 Jaurum Construction & Projects:
The plaintiff alleges that it rendered work for the municipality and did not receive payment. The defendant disputes the claim due to the fact that procurementprocess was not followed and the services rendered ona property not belong to the municipality. The estimated financial exposure is R 230 476. T

42.2. T de Kock:
Matter relates to approval of Building Plans. The matter has not been advanced by Mr De Kock or his attorneys since March 2016. Financial exposure cannot be estmated.

42.3 Bloemhof District Agricultural Union.
The defendant disconnected electricity supply.The plaintiff sort recourse from the High Court. The financial exposure cannot be estimated. The estmated financial expeosure is: R50 099.52

Contingent liabilities - Environment Act

In terms of the Environmental Act, The municipality is responsible for a number of environmental related transactions that may take place in its jurisdisction. This gives rise to contingent liabilities. However the nature of such transactions cannoyt be estimated both financially and the numberof occurrance, if any are to occur. Whilst the municipality is not aware of such liabilities, the following are the key transactions:

- contingent liabilities relating to fines that may be imposed by the Department of Environmental Affairs as a result of illegal dumping by the municipal residents.
- penalties relating to raw sewerage or sewerage not properly treated being released to the nearby rivers or dams.
- penalties relatingto lack of proper security at the municipal's dumping site or lack of monitoring waste being dumped there as some waste should be dumped in certain specified ways so as to avoid related healthy hazards.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

43. Related parties

Relationships	
Key Management	Refer to accounting officer's report note
Controlled entities	Refer to note 7

Apart from the foregoing, there are no other known related party transactions that took place during the year.

Related party transactions

	2017	2016
Amount incluede in Trade Payable regarding related parties		
Lekwa Teemane Development Agency (Pty) Ltd	350 000	350 000
Amount included in General Expenses		
Lekwa Teemane Development Agency (Pty) Ltd	-	567 344

This relates to funding provided to Lekwa Teemane Development Agency (Pty) Ltd as the municipality's contribution towards the agency's operations. The funding was at an arms lenghth basis/transaction.

44. Change in estimate

Property, plant and equipment

The remaining useful life of certain roads, pavements, bridges and stormwater was estimated in 2015/16 to be 1 year. In the current period management have revised their estimate to 2.5 to 7 years. The effect of this revision has decreased the annual depreciation charges for the current and future periods by R 34 767

There is no impact on the cash flow statement (non-cash adjustment)

Computer Equipment

The remaining useful life of certain computer equipment was estimated in 2015/16 to be 1 year. In the current period management have revised their estimate to 2.25 years. The effect of this revision has decreased the annaul depreciation charge for the current and future years by R 1 058

There is no impact on the cash flow statement (non-cash adjustment)

Office equipment

The remaining useful life of office equipment was estimated in 2015/16 to be 1 year. In the current period management have revised their estimate to 2.25 years. The effect of this revision has decreased the annual depreciation charge for the current and future periods by R 10 200

There was no impact on the cash flow statement (non-cash adjustment)

45. Prior period errors

Certain comparatives have been corrected due to errors relating to the previous financial year. The following is an analysis of the prior year errors.

Land: During the audit of land, valuation recalculared does not agree to value on FAR.

Buildings: Items of buildings were found during the verification that were not on the register.

Plant and Machinery: During the 2014/2015 year weigh pad that was donated to the municiapality. however these weigh pad was not recorded in the asset register.

Community Assets: Items of community asset were found during the verification that were not on the register. Furthermore items that were on the register could not be located.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

45. Prior period errors (continued)

Electricity: During the 2015/2016 year were differences between Unit Rates used in the current year compared to Unit Rates of similar assets used in the prior year.

Roads, pavements, bridges and storm water: Items of roads, pavement, bridges were found during the verifiction that were not on the register.

VAT payable: Adjustment relates to VAT on expense that was not initially accounted for.Other 3

Trade and Other Payable: Adjustment relates to understatement of Expenditure in the Ledger.

Propert RATES: **.** Rebate was calculated and 100% of property rates and not 70% according to the council resolutiont.

Sundry Income: Adjustmentr relates to VAT that was not initially accounted for.

Expenditure: Adjustment relates to write-off of farmers rebates that was originally not accounted for.

Employee Cost: Adjustment relates to overpayment and leave redemption that was originally not accounted for.

Debt Impairement: Adjustment relates to the recomputation of the debtors impairement.

General Expenses: Adjustment relates to prior year advertising expenses accounted for in the wrong accountingperiod.

Depreciation: Adjustment relates to restatement of Property, Plant and Equipment

Statement of financial position		
Land	-	51 886 049
Buliding	-	10 410 043
Community	-	8 269 390
Electricity	-	86 237 662
Roads, Pavement, Bridges and Storm water	-	162 396 449
Investment Property	-	25 872 289
Plant and Machinery	-	2 998 827
Provisions	-	7 338 201

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

46. Risk management

General Objectives, Policies and Processes

The municipality’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Council has the overall responsibilioty for the determination for the determination of the municipality's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Accounting Officer. The Accounting Officer receives regular reports from the Directors through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policiesit sets. The municipality's internal auditors also review the risk management policies and processes and reporttheir findings to the Audit Committee. The overall objective of Council is to set policies that seek to reduce risks as far as possible without unduly affecting the Municipality's competitiveness and flexibility. Further details regarding these policies are set out below:]

The gearing ratio as at 2017 and 2016 respectively were as follows:

	2017	2016
Total borrowings		
Finance lease obligation	2 375 089	2 375 089
Other financial liabilities	3 000 000	5 719 415
Less; Cash and cash equivalents	(3 652 544)	278 014
Total equity	191 300 771	111 459 787
Total Capital	**193 023 316**	**119 832 305**

Liquidity risk

Liquidity risk arises from the municipality's management of working capital, finance charges and principal repayments on its debt instrument. It is the risk that the municipality will encounter difficulty in meeting its financial obligations as they fall due. The municipality's policy is to ensure that it will always have sufficient cash to allow it to meetits liabilities when thgey become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period long enough to cover the obligations. The municipalityt also seeks to reduce liquidity risk by using floating interest rates (and hence cash flows) on all its long-term borrowings. This is further discussed in the 'interest rate risk" section. Council receives cash flow projections on a regular basis as well as information regarding cash balances and (as noted ab ove) the value of the municipality's investments. At the end of the financial year, these projections indicated that the municipality expected to have sufficient liquid resources to meet its obligations under all reasonable expected circumstances and will not need to draw down on its agreed R 1 000 000 overdraft facility. However, in the prior period, the municipality did not have enough reserves to meet all its obligations. The liquidity risk of the municipal entity is also managed by the parent municipality. Where the municipal entity need facilities, approval must be sought from the Accounting Officer. Where the amount of the facility is above a certain level, agreement of the board is needed.

The table below analyses the municipality’s financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. For trade payables, they are due and payable on receipt of the invoice. Thus in the absence of any other arrangements, all balances due as at year end are disclosed in the 'Less than 1 Year' column.

Notes to the Annual Financial Statements

46. Risk management (continued)

Credit risk

Credit risk is the risk of financial loss to the municipality if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The municipality is mainly exposed to credit risk form credit sales and placement with financial institutions. It is the municipality's policy to assess the credit rist of new counterparts, where possible, before entering contract. Due to the nature of most our customers, credit limits and rating for such customers cannot be done.

To mitigate some of the credit risks relating to our consumers, disconnections and restricting the flow of water are used as mechanisms to encourage the consumers to settle their debt. Consumers accounts are monitored on a monthly basis. In terms of the existing legislation, the municipality has limited option in this regards.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only reputab;le institutions are used. The municipality does not ,however request for cerdit ratings.

The municipality does not enter into derivatives to manage credit risk, although in certain isolated cases may take steps to mitigate such risks if it is sufficiently concetrated. Quantitative disclosures of the credit risk exposure in relation to financial assets are st out below. Further disclosures regarding trade and other receivables, which are neither past due nor impaired are provided in Note 14 and Note 16..

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2017	2016
Other financial assets	2 921 011	64 633
Trade and other receivables (exchange transactions)	919 463	775 559
Receivables from non-exchange transactions	100 686 980	3 318 252
Consumer Debtors	3 318 252	21 209 919
Money Market Investment	617 517	854 125
Cash and Cash equivalents	3 652 544	-

Cash and cash equivalents: A significant amount of cash is held with ABSA, who are the municipality's main bankers.

Market risk

Interest rate risk

Market risk arises from the municipality's use of interest-bearing and tradable financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate becuase of changes in interest rates (interest rate risk) or other market factors (other price risk).

Fair value and cash flow interest rate risk.

The municipality is exposed to cash flow interest rate risk from long-term borrowings at variable rates. It is currently the municipality policy that all of the municipality's borrowings (including short-term overdraft facilities and finance lease payables) are at floating rate of borrowings. Further, all of the municipality's borrowings are denominated in South African Rands. Although Council accepts that this policy neither protects the Municipality entirely from the risk of paying rates in excess of current market rates nor eliminates fully cash flow risk associated with variability in interest payment, it considers that it achieves a appropriate balance of exposure to these risks.

The municipality analyses its interest rate exposure on a regular basis, at minimum annually. However, sensitivity analysis where simulations are used is not performed. The level of the municipality's borrowings does not warranty performance of this (cost benefit analysis. Further, the municipality does not have the competences to perform such analysis and also believes that the non-performamce of such analysis does not negatively expose it to huge interest rate risk exposure. Thus, because simulations are not porformed the impact on surplus and deficit and net assets of any basis-point shift (based on the maximum reasonable expectation of changes in interest rates) cannot be determined.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

47. Going concern

We draw attention to the fact that at 30 June 2017, the municipality had a surplus of R 86 958 561 and deficits (2015: R14 772 663) and that the municipality'scurrent liabilities exceed its current assets by R 161 929 106 (201: R230 999 906) during the current year. This poses a greater doubt on the municipality's ability ro realise its assets and discharge its liabilities in the normal course of business.

In order to mitigate these negative effects, the municipality is in the process of implementing the following measures, some of which the work has commenced:

- Appointed consultants to perform Revenue Enhancement Strategies and Installation of Pre-paid Automatic Meter Reading, whose results are expected to yeild positive results. The consultants have already commenced their work. Further, the appointment of Debt Collectors during the ensuing financial period will further enhance the municiplity's mitigating measures regarding tghese going concern challanges.
- Implementing cost reflective prices and costcutting measures.
- Implementation of the new valuation roll form the 1st of July 2017. This will greatly improve the municipality's income stream as property rates will be levied on market values.
- Recognition of the municipality's investment Properties at the current market values based on the new valuationroll in the ensuing financial period. This will greatly improve the balance as these assets are recognised at normally/historical amounts, someof which were determined more than 15 years ago.
- Unbundling and valuation of infrastructure in the ensuing financial period.

48. Events after the reporting date

The contract for the Community Service Director and Cooporate Service Director was terminated with effect from 30 October 2017.

49. Unauthorised expenditure

Unauthorised expenditure	60 992 619	60 992 619

There was no unauthorised expenditure for the current year, the amount disclosed is the balance carried over from the 2014/15 financial year.

Unauthorised expenditure has not yet been condoned by the Council. A full report will be submitted to MPAC and Council for considerations.Council recommendations will then taken into account when the deliberations and/or invistigations are concluded.

50. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	25 340 263	19 591 386
Add: Current	5 100 551	5 748 877
	30 440 814	**25 340 263**

Include particulars of any criminal or disciplinary steps taken as a consequence of above expenditure.

Interest on Late Payment: This relates to interest charged on late payments of VAT,SARS, AGSA and Eskom and other creditors. Measures have been put in place to avoid these charges in future.

51. Irregular expenditure

Opening balance	61 362 281	59 794 413
Add: Irregular Expenditure - current year	1 813 265	1 567 868
	63 175 546	**61 362 281**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

51. Irregular expenditure (continued)

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
H2 Enterprises (Pty) Ltd	No disciplinary measures have been taken. The transactions have been presented to Council for Condonment.	165 776
JCS Electrical	No disciplinary measures have been taken. The transactions have been presented to Council for Condonment.	219 940
Human Communication	No disciplinary measures have been taken. The transactions have been presented to Council for Condonment.	265 609
Central Office Equipment	No disciplinary measures have been taken. The transactions have been presented to Council for Condonment.	63 948
DCH Engineering	No disciplinary measures have been taken. The transactions have been presented to Council for Condonment.	175 054
Zarah's Place	No disciplinary measures have been taken. The transactions have been presented to Council for Condonment.	96 372
Other General Expenses with Various suppliers	No disciplinary measures have been taken. The transactions have been presented to Council for Condonment.	826 566
		1 813 265

52. Additional disclosure in terms of Municipal Finance Management Act

Distribution Losses

	2017	2016
Electricity (Kilowats per hour)	14 572 358	15 520 775
Purified Water (Kilolitres)	1 590 138	1 985 587
	16 162 496	**17 506 362**

Distribution Losses for electricity relates to unaccounted for electricity. This mainly arises from, inter alia, illegal connections to the electricity netwaork and bridging of meters by consumer. During the year 14 572 358; (2016: 15 520 775) kilowatts per hour were lost. This represented by 30% (2016: 30%) of the electricity purchases for the year, which have been included in bulk purchases.

Purified Water: This is lost during distribution processes to the consumer. Most of this is caused by burst pipes as greater component of the municipality's water infrastructure network is relatively old. During the year, the losses amounted to 1 590 138: (2016; 1 985 587) megalitres, which constitutes about 26%; (206: 23%) losses of the purified water.

Whilst this not a desirable features, the level of distribution losses are well within the acceptable norms.

Distribution Losses in Rand Values

	2017	2016
Water	7 351 272	7 227 537
Electricity	6 763 114	12 075 163
	14 114 386	**19 302 700**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

52. Additional disclosure in terms of Municipal Finance Management Act (continued)

Audit fees

	2017	2016
Opening balance	13 959 094	13 100 704
Current year charges	1 702 623	2 439 279
Interest	1 230 090	1 118 199
Amount paid	(3 362 623)	(2 699 088)
	13 529 184	**13 959 094**

PAYE and UIF

	2017	2016
Opening balance	3 128 038	6 262 600
Current year charges	6 257 170	5 841 882
Amount paid	-	(8 976 444)
	9 385 208	**3 128 038**

Pension and Medical Aid Deductions

	2017	2016
Opening balance	439 678	429 367
Current year charges	-	4 826 982
Amount paid	-	(4 816 671)
	439 678	**439 678**

VAT

	2017	2016
VAT payable	1 706 469	6 003 639

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2017:

30 June 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor I.M Snyman	1 553	-	1 553
Councillor G. Pencil	3 016	9 462	12 478
Councillor K.M Segalo	1 716	-	1 716
Councillor D.J Muller	1 485	-	1 485
Councillor F. Moleta	2 545	27 518	30 063
Councillor P. Modise	1 715	-	1 715
Councillor M.I Mabala	23 911	21 529	45 440
	35 941	**58 509**	**94 450**

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

53. Deviation from supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations, any deviation from the supply chain management policy needs to be approved/condoned by the Municipal Manager. The total deviations for the quarter amounted to R 711 268..(2016: R) which has been tabled to council for noting in terms of Section 36(2).

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that deviations must be included as note to the financial statements Major deviations related to emergency procurement of electricity transformers in order to avoid interuption of essential services.

The municipality entered into a contract with Mhlopha Security Services cc to provide security services to all municipal properties (both in Bloemhoef and Christiana) from the 1st December 2012 to 30 November 2014. The company will also install security cameras and alarm systems in the main municipal buildings in Christiana and Bloemhof. The deviation from supply chain management policy was approved by the Accounting Officer in terms of the MFMA and SCM Guidelines.

The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from normal supply chain management regulations.

54. Assets subject to restrictions

Assets that have been recognised, but which are subject to restrictions, the amount of restriction are as follows:

55. Budget differences

Material differences between budget and actual amounts

The excess of actual expenditure over the final budget of 15% (25% over approved budget) for the Health function was due to expenditures above the level approved by legislative action in response to the earthquake. There were no other material differences between the final budget and the actual amounts.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters.

Schedule of external loans as at 30 June 2017

	Loan Number	Redeemable	Balance at Thursday, 30 June 2016 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at Friday, 30 June 2017 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Loan Stock			-	-	-	-	-	-
Annuity loans								
DBSA			5 719 415	-	5 719 415	-	-	-
DRSM			-	3 000 000	-	3 000 000	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			5 719 415	**3 000 000**	**5 719 415**	**3 000 000**	**-**	**-**
Funding facility			-	-	-	-	-	-
Development Bank of South Africa			-	-	-	-	-	-
Bonds			-	-	-	-	-	-
Other loans			-	-	-	-	-	-
Lease liability								
	80561690	2016-01-01	249 153	-	249 153	-	-	-
ABSA	82846927		37 509	-	37 509	-	-	-
BSA	82846803		19 584	-	19 584	-	-	-
BLAQ.M			2 769 373	-	394 284	2 375 089	-	-
			-	-	-	-	-	-
			3 075 619	**-**	**700 530**	**2 375 089**	**-**	**-**
Annuity loans			-	-	-	-	-	-
Government loans			-	-	-	-	-	-
Total external loans								
Loan Stock			-	-	-	-	-	-

LEKWA TEEMANE LOCAL MUNICIPALITY
Appendix A

Schedule of external loans as at 30 June 2017

	Loan Number	Redeemable	Balance at Thursday, 30 June 2016 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at Friday, 30 June 2017 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Annuity loans			5 719 415	3 000 000	5 719 415	3 000 000	-	-
Funding facility			-	-	-	-	-	-
Development Bank of South Africa			-	-	-	-	-	-
Bonds			-	-	-	-	-	-
Other loans			-	-	-	-	-	-
Lease liability			3 075 619	-	700 530	2 375 089	-	-
Annuity loans			-	-	-	-	-	-
Government loans			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			8 795 034	**3 000 000**	**6 419 945**	**5 375 089**	**-**	**-**

LEKWA TEEMANE LOCAL MUNICIPALITY
Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2017

	Cost/Revaluation							Accumulated Depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Under Construction Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Community Services	20 972 945	1 196 700	(4 057 709)	-	-	-	**18 111 936**	(9 819 894)	-	-	(1 190 677)	3 784 366	**(7 226 205)**	10 885 731
Corporate Services	71 379 110	51 435	(124 741)	-	-	-	**71 305 804**	(3 375 928)	-	-	(1 046 382)	86 130	**(4 336 180)**	66 969 624
Budget and Finance	2 735 803	196 263	(183 996)	-	-	-	**2 748 070**	(1 331 046)	-	-	(579 234)	175 506	**(1 734 774)**	1 013 296
Municipal Manager/Council	2 369 326	-	(301 972)	-	-	-	**2 067 354**	(736 226)	-	-	(512 386)	176 359	**(1 072 253)**	995 101
Municipal Manager	278 302	102 525	-	-	-	-	**380 827**	(73 228)	-	-	(77 103)	-	**(150 331)**	230 496
Technical Services	621 654 546	318 758	(6 441 586)	7 544 160	19 172 273	-	**642 248 151**	(143 744 678)	-	-	(25 520 983)	1 941 508	**(167 324 153)**	474 923 998
Public Safety/Police	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sport and Recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Environmental Protection/Pollution Control	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Water Management/Sewerage	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Road Transport/Roads	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water/Water Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity /Electricity Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other/Air Transport	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	719 390 032	**1 865 681**	**(11 110 004)**	**7 544 160**	**19 172 273**	**-**	**736 862 142**	**(159 081 000)**	**-**	**-**	**(28 926 765)**	**6 163 869**	**(181 843 896)**	**555 018 246**
Municipal Owned Entities														
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total														
Municipality	719 390 032	1 865 681	(11 110 004)	7 544 160	19 172 273	-	**736 862 142**	(159 081 000)	-	-	(28 926 765)	6 163 869	**(181 843 896)**	555 018 246
Municipal Owned Entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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LEKWA TEEMANE LOCAL MUNICIPALITY
Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2017

Cost/Revaluation							Accumulated Depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Under Construction Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
719 390 032	1 865 681	(11 110 004)	7 544 160	19 172 273	-	736 862 142	(159 081 000)	-	-	(28 926 765)	6 163 869	(181 843 896)	555 018 246

LEKWA TEEMANE LOCAL MUNICIPALITY
Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun		Yes/ No	
Equitable Share	National Treasury	16 358	13 087	9 815	-	-	-	9 815	9 815	9 815	9 815	-	-	-	-	-		Yes	
Municipal Infrustructure Grant	National Treasury	7 867	10 515	7 235	-	-	-	10 515	7 235	3 995	3 996	-	-	-	-	-		Yes	
Finance Management Grant	National Treasury	1 810	-	-	-	-	-	425	425	425	425	-	-	-	-	-		Yes	
Municipal Systems Improvement Grant	National Treasury	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
Intergrated National Electrification Programme	National Treasury	3 000	6 000	6 000	-	-	-	8 000	4 000	3 000	-	-	-	-	-	-		Yes	
		29 035	29 602	23 050	-	-	-	28 755	21 475	17 235	14 236	-	-	-	-	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.